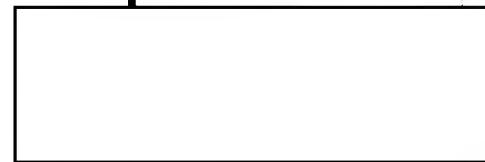


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February 20, 1974



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Approved For Release 2004/07/08 : CIA-RDP79T00975A026100200001-9

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[REDACTED] February 20, 1974

Central Intelligence Bulletin

CONTENTS

ISRAEL: Mrs. Meir will not ask for extension of mandate to form a new government. (Page 1)

LIBYA: Qadhafi's "apology" to Sadat suggests at least a public reconciliation. (Page 3)

JAPAN: Dismissal of vice foreign minister reflects intraparty criticism of Prime Minister Tanaka. (Page 4)

25X1

LAOS: Prime Minister Souvanna still hopes to name new coalition government by tomorrow. (Page 6)

25X1

INDIA: Prime Minister Gandhi faces important test in state elections later this month. (Page 9)

FOR THE RECORD: (Page 10)

25X1

ISRAEL: Prime Minister Meir reportedly will not ask President Katzir to renew her mandate to form a new government when that mandate expires today. She apparently hopes to force a quick end to the political deadlock. If she fails, the President must begin consultations to find an appropriate party leader to make another try at forming a government.

Mrs. Meir's decision probably reflects her belief that the Alignment has gone as far as can reasonably be expected to meet the National Religious Party's demands for joining the new cabinet. She apparently sees no point in extending the coalition talks for another three weeks, as allowed by law.

Over the weekend, Alignment negotiators apparently made significant concessions to the National Religious Party on the conversion to Judaism issue and the Jordanian West Bank question. On the latter, it bowed to the National Religious Party's demand that the guidelines of the new government explicitly state that any territorial proposal concerning the West Bank would require the holding of new national elections.

The National Religious Party, however, wants to obtain rabbinical approval of the Alignment's compromise proposals, and the party's youth wing insists that the party's central committee must give its assent when it meets on February 24. The net effect is to delay a final decision until after Mrs. Meir's current mandate expires. She may hope that her stand not to request an extension will force the National Religious Party to make a decision now.

Mrs. Meir still prefers to continue the previous coalition with the National Religious Party and the Independent Liberal Party. If agreement with the National Religious Party cannot be reached, however, she may have to choose from among several other options, all of which are more or less distasteful to her. These include a broad coalition with the right-wing Likud bloc, a narrow coalition with the liberal

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parties, a minority Alignment government, stepping down as Alignment party leader, and agreeing to a call for new national elections.

The Alignment's party leadership appears divided over how to proceed if the current deadlock cannot be broken. Defense Minister Dayan leans toward a broad coalition with the Likud; other party leaders are more inclined to support a narrow coalition with the Independent Liberal Party and the new Civil Rights Party, leaving the door open for the National Religious Party to join later. Labor party leaders strongly want to avoid new elections.

Meanwhile, Defense Minister Dayan yesterday reportedly told members of his Rafi faction within the Alignment that he would not serve in the next cabinet in view of the criticism of him from within the Alignment and the agreement not to form an emergency cabinet, presumably one which would include the Likud. Apparently Dayan has not withdrawn his support for the present caretaker government and will stay on as defense minister. It is not clear what would motivate Dayan to make these statements at this time, but he may have been prompted in part by the large anti-Dayan demonstration which was held in Jerusalem over the weekend.

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LIBYA: President Qadhafi offered what amounted to an apology to President Sadat yesterday in a brief speech before the Egyptian Assembly. Sadat's reception of the Libyan leader and Qadhafi's apology suggest the two have reconciled, at least publicly.

In his speech, Qadhafi praised the Egyptian military for its performance during the war last year and thanked the Egyptians for defending the Arab nation. Admitting that his criticism of Egyptian policy has been harsh, Qadhafi said his views were born out of a deep commitment to Egypt. He said that Libya was capable of overcoming its mistakes.

Despite the conciliatory tone, Qadhafi did not endorse Egyptian policy, but rather called for a "closed-door airing of sincere differences" and hinted that the Arabs' military struggle against Israel is still the foremost issue. These latter remarks suggest that his private sessions with Sadat may have been much less amicable than the public reunion.

Both leaders seem willing to paper over their widely publicized feud. Sadat would like to strengthen the image of Arab solidarity and to maintain some access--however limited--to the Libyan treasury.

For Qadhafi, the need to make amends with his neighbor is far more urgent. Libya's isolation from the Arab mainstream has weighed heavily on Qadhafi. His prestige has dropped precipitously, especially after his two unsuccessful bids for union.

Libya depends heavily on Egyptian manpower and technical expertise to maintain its defense establishment and to assist in development projects. A continuation of the rift between the two countries would have almost certainly presented Qadhafi with a critical problem of replacing Egyptian assistance.

25X1

Feb 20, 1974

Central Intelligence Bulletin

3

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100200001-9

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JAPAN: The abrupt replacement on February 19 of Vice Foreign Minister Shinsaku Hogen reflects Prime Minister Tanaka's growing difficulty in containing intraparty criticism on foreign policy issues.

Hogen's dismissal was triggered by mistakes made in press conferences in Washington by Foreign Minister Ohira and Ambassador to the US Yasukawa about the timing of an Imperial visit to the US. Hogen, a skilled and respected diplomat, was sacrificed to ease pressure on the Foreign Minister, currently under attack by Liberal Democratic right-wingers and others in the ruling party who would like to force his resignation as a first step to toppling Tanaka.

These elements have used such issues as the government's stuttering progress toward an aviation agreement with Peking to bolster charges of blundering by Ohira. Even if Tanaka and Ohira ride out the current storm, this new evidence of Liberal Democratic disunity will be politically harmful as the party prepares for this summer's Upper House Diet elections.

The new Vice Foreign Minister, Fumihiko Togo, will generally approach policy matters like Hogen, and he shares the latter's strong commitment to the US alliance.

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LAOS: Prime Minister Souvanna has had some success in resolving differing viewpoints over the investiture of a new coalition government, which he still hopes to name by tomorrow.

Last weekend, Souvanna met with the King, who unexpectedly changed his mind and agreed to invest the new government, even if it does not have National Assembly approval. The elated prime minister planned to meet yesterday with chief Lao Communist negotiator Phoun Sipraseuth to inform him of the King's position--which accords with the Communist view that the planned coalition is a "special" government requiring only royal approval.

According to Souvanna, the King also indicated that he is willing to dissolve the Assembly pending new legislative elections. The threat of such a move may in part explain the Assembly's willingness to soften its earlier insistence that it must approve the entire membership of the new government. Souvanna's recent offer to appoint one incumbent Assembly deputy from each province to the Joint National Political Council, the principal advisory body to the new coalition cabinet, probably has also aided the prospects for compromise.

In a bid to keep things moving, Souvanna yesterday planned to convene the government's Council of Ministers, a high-level policy-making group of senior cabinet officers that has long been inactive. Souvanna reportedly wanted to have the council give final approval to the government's ministerial candidates for the new coalition.

Whether the progress Souvanna has made will satisfy other important Pathet Lao preconditions for forming the new government by February 21 remains to be seen. The Communists, for example, still hold that effective neutralization of Vientiane and Luang Prabang must precede formation of the coalition. It will be some weeks before the neutralization process is completed, and Lao Communist leaders in Sam Neua may be reluctant to send their ministers to the two cities until their safety is assured. [redacted]

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INDIA: Prime Minister Indira Gandhi faces an important test in the state assembly elections that begin in Uttar Pradesh on February 24. The contest will determine the control of India's most populous state, but more important it will provide a good indication of how much the country's growing economic problems have eroded the popularity of the Ruling Congress Party since the "Indira Wave" swept it to victory in most of India in elections in 1971 and 1972.

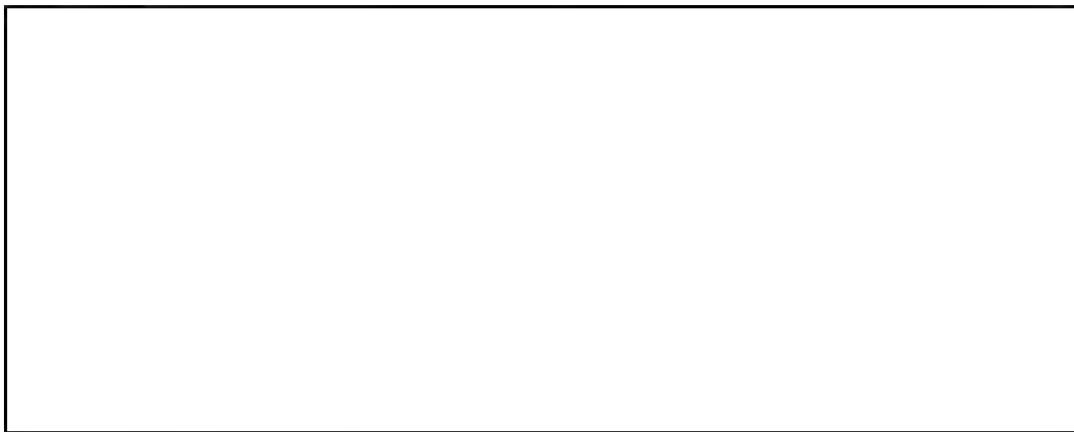
The US Embassy believes that the outcome of the election probably will not reduce political instability in Uttar Pradesh. Election promises are likely to be unfulfilled, government services that have been increased during the campaign will probably dwindle, and the poor quality of state administration will not change. The embassy foresees continued unrest, sporadic violence, and more disillusionment with the democratic process, conditions that will soon be reflected in other states.

If the Ruling Congress suffers heavy losses, the opposition would be encouraged in its efforts to topple other state governments. Violent demonstrations, such as those that brought down the government in Gujarat earlier this month, would be an obvious tactic. Mrs. Gandhi eventually might even face a challenge from opponents within her own party.

Should Congress win about half the seats--as it did in 1969 when it was also in trouble--it could form a government, but almost certainly an unstable one.

Four other elections to be held this month are of less importance. An unclear result in chronically unstable Orissa is likely, but Mrs. Gandhi's prestige is not as deeply engaged there as it is in Uttar Pradesh, her home state. In remote Nagaland, none of the major national parties is contesting, and in equally remote Manipur the result will be of little national significance. In the small union territory of Pondicherry, interest is concentrated on what the results mean for two factions of a south India regional party. [redacted]

FOR THE RECORD



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East Germany - Cuba: East German party chief Erich Honecker will arrive in Havana today accompanied by a high-level delegation. This will be Honecker's first visit to Cuba, reciprocating Fidel Castro's trip to East Germany in June 1972. [Redacted]

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 Denmark - Saudi Arabia: The US Embassy in Copenhagen reports that Saudi Arabia has offered to sell the Danes 20-35,000 barrels per day of crude oil for two years, at the unusually low price of \$6.50 per barrel. A contract reportedly will be concluded shortly, probably during the visit next week of Prince Henrik and Foreign Minister Guldberg to Saudi Arabia. [Redacted]

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Feb 20, 1974

Central Intelligence Bulletin

10

25X1

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100200001-9

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100200001-9

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